Proposed Revisions to the Existing Renewable Resources Account Guidebook

These guidelines were formally adopted by the California Energy Commission on January 21, 1998, and subsequently revised on August 12, 1998, March 15, 2000, October 11, 2000, and April 18, 2001 pursuant to Senate Bill 90 (Chp. 905, Stats. 97).

This guidebook contains general instructions for existing renewable power suppliers on how to qualify and apply for funding from the Existing Renewable Resources Account of the Renewable Resource Trust Fund. For more detailed information on this and other accounts funded through the Renewable Resource Trust Fund, please see the Energy Commission's *Policy Report on AB 1890 Renewables Funding*. The report (Publication Number P500-97-002) may be obtained through the California Energy Commission's Publications Office at (916) 654-5200.

Introduction

Assembly Bill 1890 (AB 1890)[1], enacted on September 23, 1996, provides $540 million for the support of renewable electricity generation technologies. These funds will be collected from the ratepayers of the three largest investor-owned utilities in California from 1998 through March 31, 2002, to support existing, new, and emerging renewable electricity generation technologies. As part of the requirements of AB 1890, the California Energy Commission (Energy Commission) submitted a Policy Report[2] to the Legislature with recommendations for allocating the $540 million.

Senate Bill 90 (SB 90)[3], enacted on October 12, 1997, places the $540 million into the **Renewable Resource Trust Fund**, and contains explicit directions for distributing this fund through four distinct accounts: the Existing Renewable Resources Account, the New Renewable Resources Account, the Emerging Renewable Resources Account, and the Customer-Side Renewable Resource Purchases Account. Table 1 shows the percentage funding allocations by year.

Table 1
Yearly Allocations to Renewable Technologies[4]

Account	1998	1999	2000	2001	Overall	(in millions)
Existing Technologies	57%	49%	41%	33%	45%	$243[5]
New Technologies	24%	28%	32%	36%	30%	$162
Emerging Technologies	10%	10%	10%	10%	10%	$54
Customer-Side	9%	13%	17%	21%	15%	$81

To assist potential program participants of the Renewable Energy Program in applying for funding from the various accounts within the Program, the Commission developed account-specific *Guidebooks.* These Guidebooks are identified as Volumes 1 through 5, with each volume corresponding to an account in the **Renewable Resource Trust Fund**:

[1] Chapter 854, Statues of 1996
[2] ***Policy Report on AB 1890 Renewables Funding***, published March 1997, publication number 500-97-002.
[3] Chapter 905, Statues of 1997
[4] These percentages apply to $135 million dollars annually for four years as assumed in the ***Policy Report on AB 1890 Renewables Funding.*** Due to the fact that $135 million will not be collected in the early years, it may be necessary to borrow funds from one account to make payments in another account equal to the absolute amounts expected annually. This will be done only if the account from which money is borrowed is not adversely affected. All funds borrowed will be returned to the appropriate account.
[5] Pursuant to Public Utilities Code section 383.5 the Commission will reallocate as much as $~~40~~90 million dollars of unused roll over funds in the Existing Renewable Resources Account for purposes of additional ~~a second~~ New Renewable Resources Account auctions ~~to bring additional electrical capacity on line by the summer of 2001~~. The actual reallocation of funds will take place, if at all, within six to ten months of conducting each additional ~~this second~~ auction. The amount of funds to be reallocated will depend upon the results of the additional ~~second~~ auctions and the availability of funds that may revert back to the New Renewable Resources Account because of canceled or reduced funding awards under ~~the first~~ previous New Renewable Resource Account auctions.

- Volume 1 -- Existing Renewable Resources Account
- Volume 2 -- New Renewable Resources Account
- Volume 3 -- Emerging Renewable Resources Account
- Volume 4 -- Customer Credit Subaccount of the Customer-Side Renewable Resource Purchases Account
- Volume 5 – Consumer Education Subaccount of the Customer-Side Renewable Resource Purchases Account

In addition, the Energy Commission developed the Overall Guidelines which set forth the administrative and legal requirements necessary to receive or appeal funding awards from the Existing Account, New Account, Emerging Account, Customer Credit Subaccount, and Consumer Education Subaccount.

Overview of the Existing Renewable Resources Account

Volume 1 addresses the application and funding process for existing renewable technologies. The process has two stages: 1) generators first apply to become registered as a renewable supplier; 2) registered renewable suppliers must then meet certain eligibility criteria to receive funding from the program. The Energy Commission will issue two certificates to the generator – one for being a registered renewable supplier, and one showing that the supplier is eligible to receive funds from the program. The reason for this two-step process is that some generators may qualify as renewable suppliers without being eligible to receive funding. In addition, some generators that are renewable may not qualify for funding when the program begins, but may qualify at a later time.

The Energy Commission will also register renewable energy service providers (marketers, aggregators, and those providing electricity directly to end users) in a separate process. These providers may then apply for customer rebate funds as part of the Renewable Energy Program. Please see Guidebook Volume 4 of the ***Renewable Energy Program*** for further information about renewable electric service providers and customer rebates.

Funds from the program will be distributed to renewable suppliers through a simple cents per kilowatt-hour (kWh) payment. The payment will be based on the **lowest** of three possible calculations: the difference between a target price and the market clearing price; a pre-determined cents per kWh cap for the respective tier technology (caps and target prices are shown in Table 2 on page 3); or the funds-adjusted price for your particular technology (see page 14 for an explanation of this term). The value of the market clearing price used in calculating the payment is currently the weighted seasonal average short-run avoided energy cost (SRAC) **specific to each of the three utility service areas** (Pacific Gas & Electric [PG&E], Southern California Edison [SCE], and San Diego Gas & Electric [SDG&E])~~, or the generation weighted monthly average unconstrained hourly day ahead California Power Exchange (CalPX) price (See page 5 for an explanation of who is eligible to use CalPX based pricing)~~. This means that the market clearing price for facilities receiving incentive payments based on PG&E's

SRAC will be different than the market clearing price for facilities receiving incentive payments based on SCE's or SDG&E's SRAC~~, and those receiving incentive payments based on the CalPX price. This market clearing price will change over to the **energy price paid by the CalPX** for all facilities once the California Public Utilities Commission (CPUC) issues an order determining that the CalPX is functioning properly for the purposes of determining the short run avoided cost energy payments to be made to nonutility power generators by electrical corporation.~~

Existing renewable technologies are divided into three tiers. Tier 1 contains biomass, waste tire, and solar thermal technologies. Tier 2 contains wind technologies. Tier 3 contains geothermal, small hydro (hydro with a capacity of 30 megawatts or less), digester gas, landfill gas, and municipal solid waste. The target prices and incentive caps for each tier are shown in Table 2. For a more detailed explanation of the rationale behind tier assignments, target prices, or caps, please see the Energy Commission's ***Policy Report on AB 1890 Renewables Funding***.

Table 2
Target Prices and Payment Caps
for Existing Technologies
(cents per kWh)

		1998	1999	2000	2001
Tier 1 (Biomass, Waste Tire, Solar Thermal)	Target Price	5.0	4.5	4.0/5.0[6]	5.0
	Cap	1.5	1.5	1.0	1.0
Tier 2 (Wind)	Target Price	3.5	3.5	3.5	3.5
	Cap	1.0	1.0	1.0	1.0
Tier 3 (Geothermal, Small Hydro, Digester Gas, Landfill Gas [LFG], and Municipal Solid Waste [MSW])	Target Price	3.0	3.0	3.0	3.0
	Cap	1.0	1.0	1.0	1.0

Who Qualifies as a Registered Renewable Supplier?

To qualify for registration as a Renewable Supplier, the facility must use one (or more) of the following energy sources to generate electricity: solar, wind, geothermal, solid-fuel biomass, waste tire, municipal solid waste, digester gas, or hydropower with a generating capacity of 30 megawatts or less.[7] The facility can not use more than 25

[6] Starting with the November 2000 payment cycle, the target price for Tier 1 is increased to 5.0 cents/kWh.
[7] The 30 megawatt limitation applies to the sum capacity of all hydroelectric turbine generators employed at a facility.

7. The energy is **NOT** excluded from any applicable CTC (such as an over-the-fence transaction[12])

NOTE: Energy from incremental generation additions or enhancements to the facility, and energy sold through a power exchange, is eligible for funding from the Existing Renewable Resources Account.

The energy you produce DOES NOT QUALIFY for funding if:

1. The facility uses a "conventional power source" as defined by the Public Utilities Code (please see the "Definitions" section at the end of this guidebook) and/or uses **MORE THAN** 25 percent fossil fuel; **OR**

2. The facility is located **OUTSIDE** of the state of California, unless the facility was operational prior to September 26, 1996 **AND** is certified as a Qualifying Facility pursuant to section 292.207 of Title 18 of the Code of Federal Regulations **AND** began selling electricity to a California electric corporation prior to September 26, 1996 under a Standard Offer contract authorized by the California Public Utilities Commission; **OR**

3. The energy is sold **OUTSIDE** of the state of California; **OR**

4. The facility first began generating electricity for sale **AFTER** September 26, 1996; **OR**

5. The energy receives fixed energy price payments under a long-term contract with an existing investor-owned utility; **OR**

6. The facility is owned by an existing investor-owned utility or a local publicly owned electric utility (municipal utility, irrigation district, joint powers authority, etc. receiving or eligible to receive a competitive transition charge [CTC]); **OR**

7. The energy is produced for use on site (self-generation); **OR**

8. The energy is sold to customers of local publicly owned electric utilities; **OR**

9. The energy is excluded from an applicable CTC (such as an over-the-fence transaction)

CalPX-based Incentive Payments

<u>As of March 1, 2001, any facility that had previously requested to receive CalPX-based incentive payments shall immediately have their incentive payments from the Energy Commission revert to SRAC-based incentive payments.[13]</u> ~~These guidelines provide for a switch to CalPX-based incentive payments for all facilities once the CPUC issues an~~

[12]See Section 372 of the Public Utilities Code.

[13]<u>Current statue specifies that the market clearing price will change over to the energy price paid by the CalPX for all facilities once the CPUC issues an order determining that the CalPX is functioning properly for the purposes of determining the short-run avoided cost energy payments to be made to nonutility power generators by electrical corporations. Due to the suspension of the CalPX markets, this switch will no longer be possible.</u>

~~order determining that the CalPX is functioning properly for the purposes of determining energy payments to be made to nonutility power generators by electrical corporations. Even before that determination is made, however, section 390 of the Public Utilities Code, allows QFs currently selling to a utility a one time option to switch their payment basis from SRAC to CalPX prices. In decision D.99-11-025, the CPUC established that the price to be used for those facilities that opt to make this change would be the day-ahead CalPX price. Based on the above decision, the Energy Commission will allow certain facilities the option to have incentive payments based on CalPX prices as described below.~~

1. ~~Only facilities who have switched to CalPX pricing for energy payments from their IOU specifically in response to CPUC Decision D.99-11-025, or who are no longer selling to an IOU at all, but otherwise remain eligible for our funding, are eligible to switch to CalPX-based pricing for their Renewable Energy Program incentive payments.~~

2. ~~Facilities that qualify for CalPX-based pricing have the option of switching to CalPX-based pricing or staying with the current SRAC-based pricing.~~

3. ~~Once a request to switch to CalPX-based pricing has been approved by the Energy Commission, it is irrevocable. All future payments shall be based on CalPX pricing.~~

4. ~~Consistent with the registration procedures, requests must be received by the Energy Commission no later than close of business (5 p.m.) on the first business day of the month to be eligible to receive CalPX-based incentive payment for that month's generation. Facilities submitting requests after this time will not be eligible until the following month.~~

5. ~~The price used for facilities electing to switch to CalPX-based pricing shall be the average unconstrained hourly day-ahead CalPX price weighted by hourly generation for all days of the month. That is, the price for each hour in the month will be multiplied by the generation accepted by the CalPX for that hour. Those products will then be summed over all hours in the month, and then divided by the total generation accepted by the CalPX in that month. The quotient is the number on which the Existing Renewable Resources Account will base its payments. Hourly prices and generation volumes are posted on the CalPX website and are downloadable. The Energy Commission will calculate "average" CalPX prices and post them within 10 business days of the end of the month.~~

6. ~~It is anticipated that at some point after the CPUC renders a final decision in its Section 390 proceeding, all QFs will be required to have their payments from the Existing Renewable Resources Account based on CalPX pricing. The computational formula at that time may change from that instituted for purposes of these interim "early" switches, but in no case will those QFs who voluntarily switch be subjected to any sort of subsequent true-up from the Existing Renewable Resources Account.~~

7. ~~Any facility requesting CalPX-based pricing must submit a written request signed by an authorized agent or officer of the facility, along with a copy of the letter they submitted to their IOU pursuant to D.99-11-025, or billing statements indicating they are selling to an eligible non-IOU buyer, as verification that they may receive CalPX-based payments from the Energy Commission.~~

~~Requests should be mailed or delivered to: Renewable Energy Program, California Energy Commission, 1516 Ninth Street, MS-45, Sacramento, CA 95814-5512~~

How Do I Apply?

To register as a renewable supplier, you must complete form CEC-1890A-1, Registration Form for Renewable Suppliers, and submit it to the Energy Commission. If you meet the eligibility requirements described in the previous section of this guidebook, you may also apply for funding using form CEC-1890A-2, Funding Eligibility Form for Renewable Suppliers.

Your qualifying generation is eligible for funds on the date the Energy Commission receives your completed forms, provided the Energy Commission determines you are eligible to receive funding. Pre-registration generation is not eligible, with one exception. Because of legislative limits, the Energy Commission cannot begin registering renewable suppliers until after January 1, 1998. Therefore, for the months of January and February 1998 **ONLY**, your generation will be eligible for funding as long as your funding eligibility form is received by the Energy Commission by close of business (5 p.m.) on February 22, 1998.

After February 1998, those wishing to apply for registration and funding eligibility must have their registration and funding eligibility form(s) received by the Energy Commission no later than close of business (5 p.m.) on the first business day of the month to be eligible to receive incentive payments for that month's generation. Facilities submitting forms after this time may be registered as renewable suppliers but their generation will not be eligible for funds until the following month.

Facilities that are not eligible for funding at the beginning of the program but who will become eligible at a later date (because, for example, they will have reached the end of the fixed energy price period of their contract) should apply for funding eligibility at the beginning of the month during which they anticipate becoming eligible. Therefore, if a facility reaches the end of its fixed price period on March 15, 1998, it should apply for funding eligibility no later than March 1, 1998. Only the qualifying portion of that month's generation will be eligible for funding.

To receive funding, you must also complete the State of California Vendor Record (STD-204) which has also been included with this guidebook. The State of California requires that all parties entering into business transactions that may lead to payment(s) from the State provide their Taxpayer Identification Number (TIN) as required by the State Revenue and Taxation Code, Section 18646, and Internal Revenue Code, Section 6109. This form must be on file with the Energy Commission in order for any describing the evidence submitted in its place must also be submitted with the invoice. The Energy Commission's Accounting Office will evaluate these invoices on a case-by-case basis and notify the submitting party whether the amount claimed in the invoice, or any part of it, will be accepted and paid upon. The Energy Commission's Accounting Office may elect to pay only that portion of the amount invoiced which appears to be reasonable given the evidence submitted in support of the invoice, the prior months' generation, and other factors deemed pertinent at the time of evaluation. Subsequently, when the third party statement is available, it must be furnished to the Energy Commission's Accounting Office and payment adjustments will be made for any differences in the estimated eligible generation and actual eligible generation. Please note that the monthly invoices and third party statements submitted to the Energy Commission are public records subject to disclosure.

Invoices shall be submitted to the Energy Commission by the due dates shown in Table 3, Invoicing Schedule.

Invoices may be submitted by telefax or by mail to the following address:
California Energy Commission, Renewable Energy Program, Attention: Accounting Office, MS-2, 1516 Ninth Street, Sacramento, CA 95814-5512, Telefax: (916) 653-1435

Invoices must be received by the Energy Commission's Accounting Office at the above address no later than 12 am (midnight) if by telefax, or 5 p.m. PST if by mail, on the due date specified in the Invoicing Schedule. Invoices that are incomplete, illegible, or received after the due date specified in the Invoicing Schedule will be returned to you along with a written notice stating the reasons why the invoice was rejected.

Those facilities paid on a quarterly basis by the utility will also be paid quarterly by the Energy Commission. Since the amount of generation involved in those facilities that are paid quarterly is relatively small, its absence will not have an appreciable effect on the calculation of the incentive payment for those facilities that are paid monthly.

Suppliers that fail to properly invoice the Energy Commission for a given billing month as specified herein shall not receive payment for that billing month.

After receipt of invoices, the Energy Commission will calculate a cents per kilowatt-hour payment for each Tier based on the lowest of three possible formulas: 1) the difference between the market-clearing price and the target price for your particular technology; 2) the predetermined cap for your particular technology (caps and target prices are shown in Table 2 on page 3); or 3) the funds-adjusted price for your particular technology. Because the Energy Commission will be using the market-clearing price specific to each of the three utility service areas ~~or the CalPX price~~ to calculate the cents/kWh payment, a straight-forward method of funds divided by generation cannot be used. The Commission will calculate the funds-adjusted price as follows: (a) divide "funds available" by total funds to be paid as calculated using the minimum of formulas 1) and 2) to obtain an adjustment fund multiplier (AFM); (b) multiply the minimum of formulas 1) and 2) by the AFM to determine the funds-adjusted price for each of the three utility service areas.

The value of the market-clearing price used in calculating the payment is currently the monthly weighted seasonal-average, short-run avoided energy cost **specific to each of the three utility service areas** (PG&E, SCE, and SDG&E) ~~or the CalPX price~~. This means that the market clearing price for facilities receiving incentive payments based on PG&E's SRAC will be different than the market clearing price for facilities receiving incentive payments based on SCE's or SDG&E's SRAC~~, and those receiving incentive payments based on the CalPX price. This market clearing price will change over to the~~ ~~**energy price paid by the Power Exchange** for all facilities once the CPUC issues an order determining that the California Power Exchange is functioning properly for the purposes of determining the short run avoided cost energy payments to be made to nonutility power generators by electrical corporations.~~

Sample Calculation of Incentive Payment

An example follows of how the incentive payment would be calculated for a 30 megawatt biomass facility (Tier 1) in PG&E's service territory in the first month the program is operating. In the example, any numbers used other than target prices and caps are for illustration only and should not be considered accurate representations of market price, expected available funds, individual renewable facility generation, or total renewable generation.

Tier 1 funds available for January 1998	**$3,600,000**
Tier 1 funds to be paid using the minimum of (Target - Market Price) and Cap	**$4,500,000**
Adjustment Fund Multiplier (AFM)	**0.80 ($3,600,000/$4,500,000)**
Total qualifying renewable generation in Tier 1 for January 1998	**500,000,000 kWhs**
Facility generation for January 1998	**15,000,000 kWhs**
PG&E's Short-Run Avoided Cost for January 1998	**2.9 cents/kWh**
Target price for Tier 1	**5 cents/kWh**
Cap for Tier 1	**1.5 cents/kWh**

Using these numbers to calculate the three payment formulas, the results would be:

1) Tier 1 target price - market price	**2.1 cents/kWh**
2) Tier 1 Cap	**1.5 cents/kWh**
3) Minimum of 1) and 2) (from above) multiplied by the AFM	**1.2 cents/kWh**

In this example, the lowest of the three formulas would be number 3, therefore for January 1998, the 30 MW biomass facility would receive 1.2 cents per kilowatt hour, or $180,000.

The Energy Commission intends to make incentive payments within 60 days of the end of the billing month. Therefore, payment for your January 1998 generation should be mailed to you on or about March 31, 1998. Payment for your February 1998 generation should be mailed on or about April 30, 1998, and so on. The Energy Commission will

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This Guidebook contains general information on how to qualify and apply for funding from the New Renewable Resources Account of the Renewable Resource Trust Fund. For more detailed information on this and other accounts funded through the Renewable Resource Trust Fund, please see the Energy Commission's *Policy Report on AB 1890 Renewables Funding.* The report (Publication Number P500-97-002) may be obtained through the California Energy Commission's Publications Office at (916) 654-5200.

be considered to be on-line as an eligible renewable generator until they meet the requirement of using no more than 25 percent fossil fuel in their operation.[7]

After coming on-line, winning projects will provide monthly invoices to the Energy Commission documenting their generation and sale for each month. Winning projects that come on-line prior to receiving their award will submit invoices and receive incentive payments during the first five years after receiving their awards. Winning projects are expected to come on-line as an eligible renewable generator ~~prior to January 1, 2001 or sooner~~ as specified in the applicable Notice of Auction; those who come on-line later than ~~this date or~~ the date specified in the applicable Notice of Auction may have their awards reduced or terminated by the Energy Commission~~, and in no case will they receive incentive payments for generation after the end of 2007~~. In short, late projects will not receive payments beyond five years of their on-line date, but might for some period less than that, and run the risk of receiving reduced payments or no payments at all.

Prospective bidders should note that this bid is for a limited production incentive amount (not to exceed 1.5 cents per kWh) rather than for the entire revenue compensation for a proposed project. Winning projects are expected to sell the electricity they generate for whatever price it can command in the electricity marketplace. Projects are not entitled to incentive payments without proof of electricity generation and sale.

Ancillary aspects of particular projects, such as transmission constraints or capabilities, capacity value, environmental benefits, and reliability benefits will not be considered in bid evaluation nor in payment or nonpayment of production incentives. Bidders must evaluate and rely on the prospects for market valuation of such characteristics, or prospects of having that value reflected through other programs. For example, the Customer-Side Renewable Resource Purchases Account will provide incentives for consumers in California to purchase eligible renewable energy from 1998 through 2001. These incentives may facilitate development of a "green market" in California, decreasing the transaction costs for viable sales of renewable power generated from facilities that come on-line while these incentives are being paid, or in the market that is developed after these incentives end. While bidders may reflect this or other factors in their bids, they should not expect the Energy Commission to consider these ancillary factors in the bid evaluations, incentive payments, or non-payments in this program.

The Energy Commission is not responsible for any costs associated with bid preparation or project construction or operation, including costs of transmission access. Bidders shall not hold the Commission responsible for any consequences of their bids. The Energy Commission reserves the right to cancel or suspend the auction for any reason or no reason at any time prior to the announcement of the auction results. If the auction is cancelled or suspended, the Commission will return any bids, along with a statement indicating when a new auction is expected to be held.

[7]The content of all fossil fuels used, in the aggregate, may not exceed 25 percent of the total energy input of the facility during a given calendar year (Title 18 of CFR, section 292.204 (b)).

This volume of the guidebook describes the competitive auction; who is eligible to participate; how to submit a bid; what information to include in a bid; how bids will be evaluated and winners and losers determined; and draft forms to be used in bid preparation and submittal and in post-auction procedures. This information and the draft forms may be expanded upon and revised by the applicable Notice of Auction mailed prior to an auction. Finally, the guidebook provides an explanation of what to expect after an auction for both accepted and rejected bids, including how winning projects will proceed toward coming on-line, and how production incentives will be paid to completed projects. The Commission may adopt additional guidelines that expand upon the process and procedures for implementing auction results.

When Will Bidding Occur

Notice of Auction Will Specify Auction Date

The New Renewable Resource Account funds will be allocated through competitive auctions, the first of which will be held on, or about, March 31, 1998. A ~~subsequent~~ second auction will be held on, or about, November 1, 2000. Subsequent auctions may be held as specified by the Energy Commission. The exact date of an auction, or bid due date, will be specified in a Notice of Auction to be issued prior to each auction and subsequent to the adoption of this Guidebook by the Energy Commission. A Notice of Auction will be publicly disseminated at least 30 days prior to the actual auction date (due date for bids), and will specify when bids are due at the Energy Commission, where the bids must be submitted, how the bids must be formatted, and the number of copies to be submitted.

A Notice of Auction will identify the maximum amount of funds to be awarded under the auction and will contain additional administrative information about participation in the auction, such as details on how information contained in the bids will be evaluated, a description of the type of bid bonds which may be submitted and requirements associated with different bid bond instruments (letters of credit, escrow accounts, etc.) and a sample set of documents comprising the Project Award Package or Funding Award. A Notice of Auction may include a form to be returned prior to an auction, indicating a party’s intent to bid in the auction. A Notice of Auction will also identify the dates and locations of any informational or pre-bid workshops which will be held to answer questions from prospective bidders prior to the due date for bids.

All interested bidders are encouraged to attend the pre-bid workshops that are scheduled and prepare questions for discussion at the workshops. These questions may be asked orally at the workshops or submitted in writing to the Energy Commission prior to the workshops. A Notice of Auction will specify precisely where and when such written questions must be submitted. Following the workshops, the Energy Commission

[8] An indication of intent to bid prior to an auction will help the Energy Commission prepare to evaluate the bids received in a timely fashion.

will prepare a list of Workshop Questions and Answers which will be publicly disseminated and issued to all prospective bidders. Verbal replies or interpretations will not be binding or official unless subsequently repeated in writing as part of a Workshop Questions and Answers document.

When Will Results Be Announced?

Results of an auction will be announced within two months after the auction date. During this time, the Energy Commission may request clarifying information from individual bidders.

Announcement of the overall auction results does not guarantee payments to winners. Winners must pass project milestones as described in this Guidebook and the applicable Notice of Auction. Individual funding awards under an auction must be approved by the Energy Commission in a public hearing.

Will There Be More Than One Auction?

If all funds are not allocated in the first auction, or if other funds for this purpose become available, ~~a second~~subsequent auctions will be held. As indicated above, a second auction will be held on, or about, November 1, 2000.[9] ~~Subsequent auctions, if deemed necessary after due consideration of market conditions and previous auctions, will be separated by at least 12 months. Subsequent auctions may be coordinated with milestones established in earlier auctions so that unused funds from these auctions can be reallocated. The status of the fund and market circumstances will determine whether any auction will be held after the first and second auctions.~~ Additional auctions may be subsequently held if deemed appropriate based on market conditions, previous auctions, and the availability of funds.

Who is Eligible to Bid

Bidders in an auction must submit bids that refer to an eligible project. An eligible project is any proposed to be built, newly constructed, or repowered renewable electricity generation facility (or portion thereof) meeting the definition of project as set forth in this guidebook and the eligibility criteria set forth below:

1) The physical equipment comprising the eligible project must be: a) wholly located within California, or b) a separable improvement or enhancement to an

[9] This second auction will be funded in whole or in part by funds reallocated from other accounts in the Renewable Resource Trust Fund pursuant to Public Utilities Code section 383.5(g). The actual reallocation of these funds will not take place until after the second auction is held and the Energy Commission determines the amount of funding needed to fully fund winning bids in the auction. This may not be known for six to ten months after the auction is held, because winning projects may drop out, may qualify for an additional incentive, or may have their awards reduced or canceled. In addition, funds may revert back to the New Renewable Resources Account after the auction is held, because of canceled or reduced funding awards under the first auction.

of distinguishing between generation that is eligible and generation that is ineligible.

5. Projects with a fossil component must document in the project award package that the fossil component will comprise no more than 25 percent of the total annual generation from the project, as determined on a total energy input basis. As a project begins operation, if a period is expected where more than 25 percent fossil fuel will be required, the project must document the need for and length of this period, and will not be considered to be on-line as an eligible renewable project until this period ends.

What Happens If A Project Cannot Achieve Milestone # I (First Auction)

This section applies to winners of the first auction. Winners of ~~the second~~ subsequent auctions are expected to follow ~~a more accelerated~~ the schedule as specified in the applicable Notice of Auction.

Winning projects are expected to work assiduously with staff towards quick development and adoption of a project award package. If a project does not expect to quickly advance towards a project award package adoption, the project should notify the Energy Commission as soon as possible in writing to explain any unforeseen delays or set backs. Projects not showing progress towards a project award package in each three month period between the auction date and one year past that date are subject to removal from the list of winning bidders and forfeiture of their bid bonds, terminating their participation in this auction.[21] Winning projects must pass Milestone # 1 by having their project award packages adopted within one year of the date of the auction. Projects that have not achieved Milestone # 1 within the year following the date of the auction will be removed from the list of winning bidders and forfeit their bid bonds, with one exception: projects who have not been able to amend or terminate their S02 or IS04 contracts prior to the deadline for passing Milestone #1, one year after the auction date, will be removed from the list of winning bidders, but will not forfeit their bid bonds (they will have their bid bonds returned within two months).

Post-Award Changes in Proposed Project

Projects are expected to go from award to completion unaltered from their original proposal; that is, projects are expected to be designed and proposed as feasible, permutable, serious projects. The Energy Commission, however, recognizes that some project changes may be required due to permitting requirements or events that are unforeseen by the bidder. The Energy Commission must be notified in advance in

[21] Projects that win in a New Renewable Resources Account auction but cannot or will not achieve basic first steps towards operation are considered to be unfairly tying up funds that may have been allocated to competitors in the auction. It is the Energy Commission's intent to discourage these projects by requiring forfeiture of their bid bonds.

writing of any proposed change in a winning project while the incentive program is pending or operational for that project. Changes that have no material bearing upon the purposes or process of the incentive program, or on the amounts of incentives received by the project, will receive a letter of notification that the proposed change will not affect the project's award. For example, a project's name or owner may change (the second owner must meet eligibility criteria) without materially affecting the program.

Changes having a material bearing upon the purposes or process of the incentive program may, upon determination by the Energy Commission, result in penalties, forfeiture of incentive payments, or termination of grant awards to the project. For example, a project that is sold to a non-eligible owner or becomes non-renewable will materially affect the program.

The Energy Commission will determine an appropriate response, ranging from notification that the proposed change will not affect the project's award, to adoption of penalties and an order terminating the grant award of the project.

Milestones 2 Through 6: Project Status Checkpoints (First Auction)

This section applies to winners of the of the first auction. Winners of ~~the second~~ subsequent auctions are expected to pass similar milestones and may be subject to the same consequences for failing to do so on time as specified in the applicable Notice of Auction.

The second through the sixth milestones are points during the pre-construction and construction phases of a project where demonstrable progress can be shown. After the sixth and final milestone, the project is expected to be on-line and producing electricity for sale. These points, including filing and approval of project applications and the start of project construction, will be laid out for each project in the Project Award Package. The following table provides an indication of expected timing for these milestones, and the text following the table describes what happens as milestones are completed, delayed from the expected schedule, or not completed.

If a project meets one of these milestones as detailed in the project award package, with no changes in the project, the project should notify the Energy Commission in writing. The Energy Commission may verify completion by requests for detailed backup, audits, on-site visits or other methods as required. A milestone will not be considered passed by the Energy Commission without written notification and potential verification. Within two months of Energy Commission certification of passing Milestone #2, the remaining one half (1/2) of the winning project's bid bond will be returned or cleared. If a project expects to meet one of the milestones, but the schedule is changed from that given in the project award package, the project should notify the Energy Commission in writing and provide a new expected date for achieving the milestone and any other revisions to subsequent milestone dates that may be needed. The Energy Commission complete the State of California Vendor Record (STD-204). The State of California requires that all parties entering into business transactions that may lead to payment(s) from the State provide their Taxpayer Identification Number (TIN) as required by the State Revenue and Taxation Code, Section 18646, and Federal Internal Revenue Code, Section 6109. This form must be on file with the Energy Commission in order for any payments to be made. If you have any questions about this form, please contact the California Franchise Tax Board at 1-800-852-571 1. Instructions for completing the CEC-1 89OA-1 and the STD-204 forms are included with the forms at the end of this guidebook.

Quarterly Reports

Unless indicated otherwise in the applicable Notice of Auction, winning projects will be expected to submit quarterly reports to the Energy Commission describing the project's progress towards coming on-line. These quarterly reports will be due at the end of each calendar quarter, beginning in the first quarter after the auction date and ending in the first quarter that the project begins receiving incentive payments. The quarterly reports should document any progress to date (milestones passed), any progress towards the next applicable milestone, any problems compromising progress towards the next applicable milestone, proposed resolution of those problems, any changes in the project status or description, any violations of program requirements that have occurred, and any expected or requested changes in schedule.

After A Project Comes On-line

All projects are expected to come on-line by the date ~~prior to January 1, 2001 or sooner as~~ specified in the applicable Notice of Auction. Any project failing to come on-line ~~before~~ by this date may have their award reduced or terminated by the Energy Commission. ~~May still be eligible to receive monthly payments, but will receive no payments for any generation beyond December 31, 2006, five years from the expected on-line date. In addition, the Energy Commission will determine whether the project should have its incentive payments reduced or canceled, or whether any other penalties should be imposed on the project, as a result of the delayed on-line date.~~

To receive incentive payments, on-line projects must submit monthly invoices identifying the amount of eligible power generated from the project. The monthly invoice shall consist of a completed and properly executed CEC-189OB-3 form, a copy of which is included with this guidebook, or its replacement at the time, together with an attached invoice or written statement of an independent third party verifying the project's eligible power generation for the billing month. The third party may be a utility, the Independent System Operator created pursuant to section 330 of the Public Utilities Code, an aggregator, or other similar entity which is independent of the project and gathers data on the amount of electricity production supplied by the project to the transmission grid or distribution system on a monthly basis. If the independent third party's statement is not received in time to submit it with your invoice, you are expected to submit your invoice with other evidence of the amount of eligible power generated were not followed. Unless specified otherwise in the applicable Notice of Auction, the Energy Commission will not reconsider losing bids if some winning bids drop out after the auction. Losing bids, however, are free to participate in any subsequent auctions.

Subsequent Auctions

Losing projects from an auction may participate with the same or a similar project bid in any subsequent auctions that are held, provided that they meet the eligibility criteria established for those auctions. Any funds not allocated (encumbered) through the first or second auction described herein, or that are made available through penalty payments, terminations of grant awards, unforeseen underpayments, and rollover from other Renewable Trust Fund Accounts, may be allocated through subsequent auctions, if deemed necessary with due consideration of market conditions and previous auctions. Any subsequent auctions ~~will be separated by at least 12 months and~~ may be related to milestones established for preceding auctions. Circumstances will determine whether any auction other than the first scheduled event, described herein, will be held.

Definitions

affiliate – any person, corporation, utility, partnership, or other entity five percent or more of whose outstanding securities are owned, controlled, or held with power to vote, directly or indirectly either by a utility or any of its subsidiaries, or by that utility's controlling corporation and/or any of its subsidiaries as well as any company in which the utility, its controlling corporation, or any of the utility's affiliates exert substantial control over the operation of the company and/or indirectly have substantial financial interests in the company exercised through means other than ownership.
billing month – the period of time coinciding with a calendar month in which a registered Renewable Supplier is entitled to receive an incentive payment pursuant to this guidebook.
competitive transition charge (CTC) – a charge authorized by the California Public Utilities Commission that is imposed on investor-owned utility (IOU) ratepayers (i.e. customers that receive electricity distribution services from the IOU) to recover the costs of utility investments made on behalf of their former customers. The CTC is to be collected in a competitively-neutral manner that does not increase rates for any customer class solely due to the existence of transition costs. [Public Utilities Code Section 367 (added by AB 1890)]
equivalently separated – a transfer of project ownership to an entity such as a utility affiliate such that the project's construction, operating, administrative and management costs, including but not limited to payroll, taxes, shareholder services, insurance, financial planning and analysis, corporate security, human resources (compensation, benefits, employment policies), employee records, regulatory affairs, lobbying, legal, pension management, computer services, offices and office equipment and facilities, and advertising are separated from the utility costs and not charged back to the utility ratepayers directly or indirectly in any form or manner, such as through arrangements for shared employees or the purchases of goods and services.
facility – See ***project***.
fair market value – The value that a project would receive if sold. Can be determined by independent assessor in lieu of sale.
in-state renewable generation – biomass, solar thermal, photovoltaic, wind, geothermal, small hydropower of 30 megawatts or less, waste tire, digester gas, landfill gas, and municipal solid waste generation technologies, as described in *the Policy Report on AB 1890 Renewables Funding*, including any additions or enhancements thereto, that are produced in facilities located in this state and placed in operation after September 26, 1996, or that were operational prior to that date, and that are also certified under Section 292.207 of Title 18 of the Code of Federal Regulations as a qualifying small power production facility either located in California, or that began selling electricity to a California electrical corporation prior to September 26, 1996, under a Standard Offer Power Purchase Agreement authorized by the California Public Utilities Commission.
investor-owned utility – an utility that is organized as a tax-paying business, whose properties are managed by representatives elected by shareholders.
kilowatt (kW) – one thousand watts. A unit of measure for the amount of electricity needed to operate given equipment. A typical home using central air conditioning and other equipment might have a demand of 4-6 kW on a hot summer afternoon.
kilowatt hour (kWh) – the most commonly-used unit of measure telling the amount of electricity consumed over time. It means one kilowatt of electricity supplied for one hour. A typical California household consumes about 500 kWh in an average month.
local publicly-owned electric utility – as defined in Public Utilities Code section 9604, subdivision (d), and which includes a municipal utility district, a public utility district, an irrigation district, or a joint powers authority made up of one or more of these entities.
metered – The independent measurement with a standard meter of the electricity generated by a project or facility.
on-site generation – any electricity that is generated and used to serve load on that same site.
Power Exchange (PX) – an independent, nonprofit entity created pursuant to AB 1890 and ~~that is~~ responsible for conducting an auction for the generators seeking to sell energy and for loads which are not otherwise being served by bilateral contracts. The PX will be responsible for scheduling generation, determining hourly market clearing prices for its market, and settling and billing for suppliers and retailers using its market.
project – A group of one or more pieces of generating equipment, and ancillary equipment necessary to